

## HP Buys Operating Systems; A Move Away From Windows?

Written by  
Saturday, 07 January 2012 04:37 -

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HP's acquisition of Phoenix Technologies' HyperSpace could put its long-standing relationship with Windows into question, analysts say.

The acquisition of Phoenix Technologies' HyperSpace assets by HP for what amounts to pennies is nothing to scoff at. Phoenix Technologies' HyperSpace is a smaller version of Linux OS which allows users to search the web, check emails and view images instantly.

Analysts say the acquisition, which will close this month, coupled with the recent \$1.2 billion attainment of Palm, likely signifies HP's move to developing its own open-sourced, instantaneous operating system for a line of netbooks as well as the Slate, its version of the tablet computer.

"I think we're seeing HP assemble the pieces they need to put together for a next generation series of netbooks and tablet computers," Charles King, Principal Analyst at Pund-IT said. "Rapid data seems to be a critical point for these new devices. The instant on technology that Phoenix offered could be a critical piece of that."

The biggest question is where these acquisitions might leave Microsoft's Windows. Back when the Slate debuted at the Consumer Electronics Show, the test version ran on Windows OS. However, with the Palm and HyperSpace acquisitions, Microsoft's OS could be displaced for Palm or Linux.

According to King, HP killed the initial version of the Slate because the Windows OS required too much power. In order to compete against the iPhone OS, which Apple's iPad runs on, HP needed a less energy-intensive smartphone operating system.

"The biggest slap that HP gave to Microsoft on this is they said, we're not going to put Windows 7 on our tablet, we're going with Palm," Laura Didio, Principal Analyst of Information Technology Intelligence Corp, said. "I think from a pure business standpoint, at this point and time, that's a mistake. Windows 7 has much more of an install base and is more established than Palm."

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King disagrees with Didio's assertion that HP made an error in not sticking with Windows. "HP's only other choices were to stick with Microsoft Windows 7 - which has had no luck on smartphones - or move to Android, which is what everyone else is doing. Yes, Palm has seen better days but it gives HP a level of autonomy and self determination that they couldn't have had with any other product," King said.

Both analysts agree because HP and Windows are large companies, they will continue to collaborate in other areas. The two companies have a long-standing partnership through the Wintel alliance dating back to the 1980s. The alliance was the conglomeration of all computer manufacturers who used Windows OS along with Intel processors.

"I can imagine there were a lot of unhappy campers at Microsoft when the HP-Palm deal was announced," King said. "But they are all grown ups, they can't be perfectly aligned in every strategy."

Meanwhile, analysts such as Didio, say HP needs more Palm and HyperSpace acquisitions to compete in the tablet space against Apple and others. "The thing with Palm was a surprise, but this was a logical follow on. They'll need more though. What bears watching here is what other acquisitions they make in coming months," Didio said.

HP declined to comment on its intentions for HyperSpace.

Source :in.ibtimes.com